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RUCNDT/USMISSION USUN NEW YORK PRIORITY 8832
RUEHJI/AMCONSUL JEDDAH PRIORITY 1604
RUEHJM/AMCONSUL JERUSALEM PRIORITY 2444
RHMFISS/CDR USCENTCOM MACDILL AFB FL PRIORITY
RHMFISS/COMSOCEUR VAIHINGEN GE PRIORITY
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UNCLAS TEL AVIV 001632

STATE FOR NEA, NEA/IPA, NEA/PPD

WHITE HOUSE FOR PRESS OFFICE, SIT ROOM
NSC FOR NEA STAFF

SECDEF WASHDC FOR USDP/ASD-PA/ASD-ISA
HQ USAF FOR X0XX
DA WASHDC FOR SASA
JOINT STAFF WASHDC FOR PA
CDR USCENTCOM MACDILL AFB FL FOR POLAD/USIA ADVISOR
COMSOCEUR VAIHINGEN GE FOR PAO/POLAD
COMSIXTHFLT FOR 019

JERUSALEM ALSO ICD
LONDON ALSO FOR HKANONA AND POL
PARIS ALSO FOR POL
ROME FOR MFO

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SUBJECT: ISRAEL MEDIA REACTION

SUBJECTS COVERED IN THIS REPORT:

Mideast

Key stories in the media:

The Jerusalem Post and Maariv reported that, amid growing tension between Jerusalem and Washington, the IDF and Defense Ministry have held brainstorming sessions to discuss the possibility that the U.S. would cut military aid to Israel. The Jerusalem Post reported that last night, IDF officers gathered in Tel Aviv for a discussion on

U.S.-Israel relations, during which they talked about new Pentagon regulations regarding the way Israel can use the almost \$3 billion in military aid. According to defense officials, the Pentagon informed the Defense Ministry that the foreign military financing (FMF) needed to be used strictly for weaponry and defense-related projects. In past years the Pentagon had made exceptions and allowed the IDF to purchase nonessential items such as covers for trucks, uniforms and even food for soldiers. During the discussion, the officials also discussed the possibility that the US would cut the FMF due to the political tension between the countries or because of the global financial crisis. Maariv quoted a senior Israeli defense source as saying: QThe partnership of interests between Israel and the U.S. sustains the link [between the countries] and the mutual pledges. A cut in defense aid would indeed be a blow in the short term, but, in the long run, we shall be able to expand income from worldwide cooperation and sales that are not currently being carried out because of the U.S. The Americans insist at this time that deals and sales that involved technologies that were jointly developed by Israel and the U.S harm interests they were engaged in.

The media emphasized that many members of PM Benjamin Netanyahu's governing coalition voted in the Knesset against the land reform bill desired by the PM -- according to some media, the Qfirst political crisis of the Netanyahu government.Q Next week Netanyahu plans to bring another bill to the Knesset for a vote that is no less important to him -- the so-called Mofaz law. This legislation would make it much easier to split up Kadima's Knesset faction, but the bill has also been fiercely opposed by senior Likud members. The leader of the fight against the Mofaz law is Improvement of Government Services Minister Michael Eitan (Likud).

HaQaretz cited newswire stories quoting the Institute for National Security Studies (INSS), a Tel Aviv-based think tank, as saying yesterday in a report -- QThe 2009 Strategic Assessment for Israel -- that Netanyahu's recent qualified and conditional commitment to the establishment of a Palestinian state may not be enough to avert a clash with Washington, unless it "substantiates its desire to settle its conflicts with the Arab world with practical measures." Presenting its annual Israeli strategic survey, the INNS said a stalemate on the Israeli-Palestinian issue "is the potential for tensions between the U.S. and Israel." Israel, a summary of the survey said, had to formulate a strategy for negotiations with the Palestinians and with Syria and had to establish a "constructive exchange" with the U.S. on how to deal with Iran's nuclear ambitions. Possible regional developments, such as the withdrawal of U.S. forces from Iraq or challenges to moderate Arab regimes, could force Israel to grapple with new threats and sources of instability, the institute said. The Jerusalem Post cited the INSS report as saying that interim solutions are the best bet for regional stability.

The Jerusalem Post reported that Russia's special Middle East envoy Alexander Saltanov, who is on a regional tour, told the newspaper yesterday that Russia hopes to begin preparatory talks Qin the next few monthsQ with key regional and international players to determine the parameters of a Middle East peace conference it hopes to hold in Moscow. The newspaper quoted Saltanov as saying that the conference Qneeded to be prepared thoroughly, properly, with an elaborate agenda, with the determination of the participants, and with at least a prognosis of what the results will be. The daily recalled that both Israel and the PA recently dropped objections to the conference, if it is properly planned, and cited speculation that it might even be a venue for President Obama to put forward a detailed plan for a regional agreement.

A HaQaretz headline reads: QThe End of Obamania? At Home and Abroad, the Presidential Magic Begins to Wane.

The Jerusalem Post quoted defense officials as saying yesterday that United States Air Force Commander Gen. Norton A. Schwartz held talks in Israel over the past week. Schwartz's visit came on the heels of a similar visit IAF Commander Ido Nehushtan made to the U.S. last month. The newspaper noted that Schwartz is the first Jewish commander of the USAF.

Maariv reported that senior PA negotiator Saeb Erekat asked to meet with National Security Adviser Dr. Uzi Arad, who subsequently

refused to accept Erekat's request.

The Jerusalem Post and Israel Hayom reported that yesterday, speaking on IDF Radio, Intelligence Agencies Minister Dan Meridor criticized Secretary of State Hillary Clinton's warning to Tehran that the U.S. has a plan on how to safeguard the region with a Qdefensive umbrellaQ should Iran go nuclear. Meridor was quoted as saying that it seemed that the U.S. had accepted the inevitability of a nuclear Iran.

QIDF Radio reported that hundreds of right wingers intend to visit Jerusalem's Temple Mount prior to Tisha B'Av, the day commemorating the fall of the two Temples, in defiance of the U.S. demand to stop construction in East Jerusalem.

Maariv reported that the Israeli defense establishment, which fears violent clashes with right-wing youth, will postpone evacuation of outposts until after the summer school vacations. The newspaper quoted a senior defense source as saying that pictures of wounded children would negatively influence any move.

Leading media quoted Turkish PM Recep Tayyip Erdogan as saying in Syria yesterday that he might restart mediating Israel-Syria negotiations. However, HaQaretz quoted Western sources as saying that Syrian President Bashar Assad is not currently prepared to go ahead on talks with Israel.

Israel Radio reported that yesterday the 18th test-launching of the Arrow missile defense system in U.S. failed. During the test off the California coast, the improved Arrow was supposed to intercept a missile mimicking an Iranian ballistic missile. The radio said that the Arrow's communication systems did not function.

HaQaretz reported that, although official Israel has asked the world to stop dealing with outfits that work with Iran, it continues to contract with those same firms -- notably the giant German company Siemens.

HaQaretz reported that Palestinian stoneworkers and Israeli traders are joining hands against swindlers, many of them settlers, who sell fictitious permits to expedite the passage of stone products from Palestinian workshops in the West Bank into Israel. Trucks with waybills bearing the names of Israeli factories can pass through crossing.

Maariv reported that FBI-released transcripts of the interrogation of the late Iraqi dictator Saddam Hussein include his comment that he ordered Scud missiles fired on Israel in 1991 as retribution for the bombing of the Osirak reactor ten years earlier.

The Jerusalem Post and other media reported that 11 people have been arrested in Israel -- and a twelfth at Newark Liberty Airport on his way to Israel -- for allegedly running a phony lottery scam and bilking elderly Americans out of \$25 million. Targeting wealthy victims, mostly 75 and older, the suspects supposedly pretended to be calling from lottery sweepstakes companies and convinced people to send thousands of dollars in fees and taxes associated with their victims. Victims were plied with gift baskets and phony QInternal Revenue ServiceQ documents to convince them of the sweepstakes legitimacy.

HaQaretz reported that the performances of a play by veteran Israeli author Amos Kenan, "Friends Talk about Jesus," scheduled for next week at the Arab-Hebrew Theater of Jaffa, have been canceled due to opposition from Christian Jaffa residents.

Mideast:

Block Quotes:

I. "Working on Their Relationship"

Senior commentator Ari Shavit wrote in the independent, left-leaning Ha'aretz (7/23): QPresident Barack Obama made two bad mistakes in his treatment of Israel: He lost the trust of both the Israeli public and the Israeli prime minister. Neither mistake was really necessary.... If Obama had embraced Israel and Benjamin Netanyahu, he would have achieved what Anwar Sadat, Bill Clinton and King Hussein did. He would have melted the right, conquered the center and brought Israel to the left. An Israel-loving Obama truly committed to Israel's security would have easily become the king of Israel. But for some reason Obama chose to take the opposite approach. His meeting with Netanyahu in the Oval Office several months ago was an ambush. Without any preparation or advance warning, Obama placed his ultimatum in front of Netanyahu. Instead of acting as a good friend or counselor, he became the bad cop. That is how he turned Netanyahu from an admirer into an adversary in the blink of an eye. But Obama did not settle for that.... Barack Hussein Obama trashed the letter written by George W. Bush and the policies of William Jefferson Clinton. That is how he taught the Israelis a lesson they will not quickly forget: The word of a U.S. president is not worth much. A pre-withdrawal promise is only a promise. Obama is not hostile toward Israel. Quite the opposite. But his mistaken behavior has paralyzed the Israeli public's willingness to support the next large-scale withdrawal. Because of Obama's actions and failures, only a few Israelis view him as a true friend of Israel. In his dealings with the U.S., Netanyahu made two bad mistakes: He did not take the initiative and did not make an effort to explain himself.... Obama and Netanyahu must start speaking to each other directly and intimately.... Without them nothing good can happen in the Middle East. Their relationship means the future of us all.

II. "Listen to the Left"

Veteran journalist Evelyn Gordon wrote in the conservative, independent Jerusalem Post (7/23): QWhat is genuinely puzzling ... is why Obama supporters appear deaf to the anguished cries of Israel's left, which has long advocated precisely [settlement freeze, withdrawal, and division of Jerusalem] policies. When the editorial staff of HaQaretz, a bastion of Israel's hard left, pens three opinion pieces criticizing Obama in the space of 10 days, it ought to be clear even to left-of-center American Jews that Obama has an Israeli problem.... When even the hard-core leftists of HaQaretz's editorial board that a) Obama seems hostile to Israel and b) his policies actually undermine the peace process, his American Jewish supporters ought to take note. Because no matter how sincerely Obama wants peace, a president who has lost even Israel's hard left has no chance of delivering it.

III. "Around the Obama Peace Plan"

Veteran journalist and television anchor Dan Margalit wrote in the independent Israel Hayom (7/23): QIn view of the stormy confrontation that the Obama [peace] plan is expected to generate, the fight over the construction of a Jewish neighborhood in the Sheikh Jarrah [neighborhood of East Jerusalem] is negligible. There will be a diplomatic confrontation over the next year. Saudi Arabia and Egypt's cool response to Obama's demand for some gestures to reassure Israel calls into question his ability to overcome objections in the Arab world to the recognition of Israel as a Jewish state.

IV. "The Jewish Question"

Editor-in-Chief Amnon Lord wrote in the nationalist, Orthodox Makor Rishon-Hatzofe (7/23): QThe tendency to focus Israel's anger on Obama's Jewish advisers in the current crisis is an erroneous step. It may be unfair, but it is inevitable to note that the identity of the Jewish strategic advisers gives them a twisted sense of understanding the adversary -- in this case: Israel. But what characterizes people like [Rahm] Emanuel and [David] Axelrod is not a feeling that they have an intimate understanding of Israel, but a partisan perception that also gushes onto international relations.... [On a general level] there are indications at this stage that the onus of the useless confrontation has moved to the White House's staff.... The latter's recognition that the settlement

issue has harmed the diplomatic process is intensifying.

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